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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

OCTOBER 1987

SEMA/AI Show Preview

PERFORMANCE
Whether For Go Or For Show, There's A Market

Import Vehicle Business:
Sit Back And Get A Bit, Work Hard And Get A Lot

Learning From The Competition:
AM's Method To Know Who And What

Service Market Report:
Can The Winterizing Concept Work For Brakes?

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EDITORIAL STAFF

Rosemarie Kitchin
Editor
(215) 964-4394

Gail Krueger-Nicholson
Senior Editor

Philip Katcher
Research Editor

John Wirebach
Senior News & Feature Editor

Bonnie Lynne Shannon
Editorial Assistant

Jim Naughton
Director of Graphics

Janet Lee Taylor
Art Director

Sarah Frankson
Publisher
(312) 782-1400

Chilton
ONE OF THE ABC PUBLISHING COMPANIES

ABC Publishing President, Robert G. Burton
1330 Avenue of the Americas
New York, New York 10019

Chilton Officers:
President and Chief Executive Officer, Lawrence A. Fornaciari; Vice Presidents Publication, Richard D. Bay, Richard E. Dute; Vice President/Director Chilton Research Co., Ronald A. Hoxter; Vice President Finance, Christopher M. Savine; Vice President Operations, Donald W. Chestnut; Vice President Publishing, John P. Kushnerick.
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PUBLISHER'S NOTES

LOOKING AT NICHES

We work hard to help you find the most appropriate parts and service combination for your aftermarket operation.

In this, our SEMA/AI show issue, we've taken a look at specific opportunities.

Research Editor Philip Katcher investigates several kinds of performance (aka specialty) parts products.The performance market has changed since the muscle car days, but some customers still want to go fast. Others are content merely to look the part.

Contributing Editor Edward L. Kaufman says that retail chains will get some good business from import vehicle owners just by being there, but they can grab more by working hard at it.

Senior Editor Gail Krueger-Nicholson gives you a way to spot the competition, even when it doesn't look like competition, and learn about your own strengths from it.

Can retailers with service bays really sell Winter service for brakes? Contributing Editor David Evans votes yes, and tells managers how to set up the program.

Senior News & Feature Editor John Wirebach continues his insightful look at aftermarket commodities in Market Line. This month he looks at motor oil.

Look for APAA Show coverage in our Detailing The Market section this issue.

And . . . see you at SEMA/AI!

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

DOWNEY AUTO STORES
4105 S. Creek Rd.
Chattanooga, TN 37406
(615) 622-6274
Stores: 120
Total Chain Sales: $35,000,000 (Est.)
Average SKUs: 15,000
Founded: 1976
Region Covered: Georgia, North Alabama, Mid-eastern Tennessee

Downey Auto Stores' first delivery was a tailpipe in Boaz, AL.

Now the thriving franchise operation, with 120 stores in a three-state area, operates with 14 truck runs every day.

In 1984, the firm was acquired by Al Automotive, which is part of the Al International, a New York-based firm that's in turn part of the worldwide operations of the Alghanim Industries organization based in Kuwait (Persian Gulf).

It's a long way from Boaz to Kuwait, but Downey Auto Stores have managed to maintain their flavor and down-home identity through 11 years of changes.

The late Dick Downey, a no-nonsense businessman, came to Chattanooga from ITT Automotive Div. in 1976. He had gone to school in the area and liked it – and decided to start his own business with a Chattanooga base. Dick, a sales manager, and four sales people aggressively called on jobbers, patiently building a strong customer base through sheer drive and a belief in what they were doing.

Through a rented warehouse, the fledgling business sold only to jobbers. But a year later, the original management team started developing the concept that would become Downey Auto Stores. Within a year, some 20 stores joined the franchise program, drawn by the firm's strong will to succeed.

"A lot of firms offer a retail campaign, but not in a big way," explained Brent Windom, general manager and vice president/marketing, Southeast Region Al Industries. "We go to market with the biggest there is. We go up against any of the competition, but we also offer wholesale programs that are competitive."

As part of that philosophy, Downey underwent some major revamping a few years ago. "We always offered an inventory management system and a very aggressive advertising program, but never a turnkey retail program," said Windom. "Now we do it from beginning to end." The change came about because in 1982, with the onslaught of major retailers, such as Auto Shack, coming into its market, Downey needed to solidify its position as a major source for retailers. Accordingly, they made the signage and color schemes uniform, and went about changing from a rural identity to a major metropolitan force in the South.

"In the early 1980s, we probably had about 60 stores," said Windom. "Most of them were rural, with a mom-pop image. We changed their identity from this to being the name for auto parts, even in the small towns. Then we really penetrated the Atlanta market as well as Chattanooga. We spread out more in Chattanooga, and really went for Atlanta." (There are currently 32 stores in the Atlanta area.)

Despite the coalescing of signage, inventory and so forth, Windom insists that the stores are still very independent. "The support you get is based on the merit of your program," he said. "We offer TV and radio spots, color tabloids, and merchandising assistance. We're very aggressive in our promotions – probably the most aggressive in the South." The reason, says Windom: "We decided we wouldn't be undersold; we would meet the competition head on. That was less of a gamble than if we didn't meet them – they'd put us under."

The philosophy worked handsomely: Since the new campaign began, sales volume has increased 25-35% a year.

DETAIL

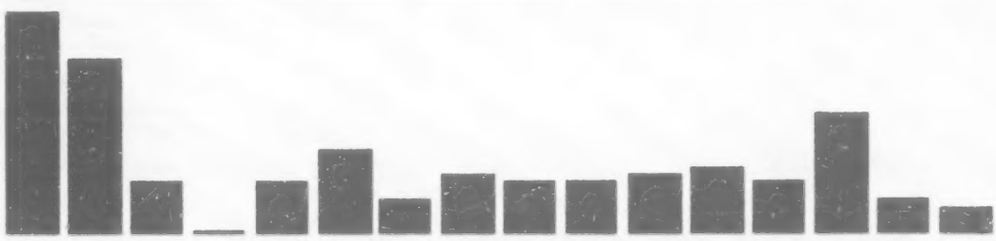
44%

of all U.S. households include at least one adult who follows motor sports at least occasionally, according to Fleishmann-Hillard, Inc., St. Louis, MO.

PROFILE: DIYers WHO OWN VANS

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who are van owners.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	78.6%	21.4%	2.0%	20.4%	37.8%	13.3%	26.5%	20.4%	23.5%	26.5%	29.6%	19.4%	54.1%	14.3%	12.2%



THE AUTOMOTIVE MARKETING INDEX

THE 1986-87 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index.The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

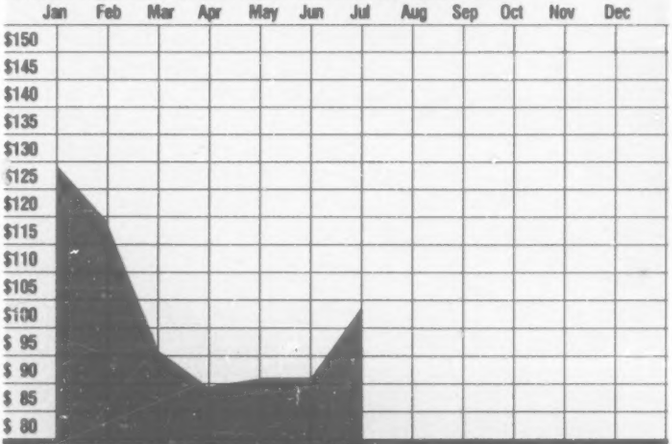
JULY 1987 NATIONAL AVERAGE MARKETBASKET PRICES

A non-resistor spark plug:	$ .72	A gas-charged shock:	$ 14.85
An oil filter:	2.31	One gallon of antifreeze:	3.50
A can of 10W30 oil:	.74	One pair of wiper refills:	2.41
A can of paste wax:	2.99	A 40-month battery:	31.16
An AM/FM/Cassette:	46.17	Total:	$104.85

JULY AM MARKETBASKET PRICES BY MARKETING AREA

1. Greenbelt East:	$136.20	9. Desert West:	104.85
2. Megapolis East:	88.71	10. Greenbelt West:	123.08
3. Smokestack East:	$ 87.99		
4. Old South:	102.75		
5. Caribbean South:	115.84		
6. Smokestack Central:	97.55		
7. Grainbelt Central:	98.46		
8. Spanish West:	92.75		

NATIONAL AVERAGE MONTHLY 1986-87 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (81-87)	High (81-87)
Consumer Price Index	(67=100)	May	338.7	337.7	326.3	89.3 (May 61)	338.7 (May 87)
Prime Rate	%	Aug 7	8.25	8.25	8.00	–	–
Personal Consumption Expenditures (revised)	Billion $	1Q	2,854.3	2,820.4	2,697.9	328.5 1Q 61	2,854.3 1Q 87

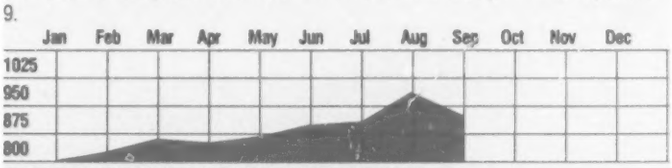
1987 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to September9.

	Exchange	52-week High	52-week Low	9/9 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 1/4	21 1/4	24
Audiovox	OTC	16	12 3/8	13 1/4	20
Cardis Corp.	AMEX	9 7/8	1 7/8	3 3/8	3
Champ Parts	OTC	12 1/4	3 1/2	10 1/8	46
Champ Spk Plg	NYSE	16 3/8	9 1/4	14 3/8	479
Crown Auto	OTC	4 1/8	3	4	–
Dana Corp.	NYSE	54 1/4	26 3/8	49 3/4	26
Durakon	OTC	14 1/4	9 7/8	12	15
Echlin	NYSE	25 3/8	14 7/8	17 5/8	17
Facet	NYSE	23 1/8	8 3/4	19 7/8	22
Genuine Parts	NYSE	44 3/4	26 5/8	39 1/8	23
Grand Auto	AMEX	25 1/4	14 3/4	15 5/8	130
Modine	OTC	22 3/4	11 3/4	22	–
Mr. Gasket	OTC	15	4 3/8	6 3/4	–
Prkr Hannfin	NYSE	42 1/2	23 1/4	40 1/2	22
Pennzoil	NYSE	95	53	67 3/8	44
Pep Boys	NYSE	18 7/8	11 3/4	17	29
Perry Drugs	NYSE	15 3/8	9 1/2	10 1/4	–
Quaker State	NYSE	31 3/4	21 7/8	24	–
Rite Aid	NYSE	46 1/4	26 3/4	38 7/8	20
Sealed Power	NYSE	39 5/8	23 1/8	36 1/4	14
Southland	NYSE	80 1/4	44	74 7/8	13
Stan Mtr Prod	NYSE	25 3/8	16 1/4	19 1/4	14
Superior Ind	AMEX	19 3/8	11 1/8	15 1/8	10
TBC Corp.	OTC	13 1/8	3 3/4	11 1/2	15
TRW	NYSE	70	48 1/2	60	18
Tenneco	NYSE	55 1/4	37 1/8	52 3/4	–
Tracor	NYSE	24 1/2	16 1/2	22 7/8	25
Trak Auto	OTC	19	11	17 1/2	55
Triad Systems	OTC	15 1/8	8 1/2	13 1/4	26
Wilco	NYSE	47 3/8	31 1/8	38 5/8	13

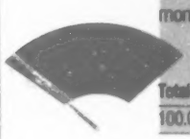
DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of September 9.



AM 17 COMPOSITE AFTERMARKET STOCKS

PRODUCT OF THE MONTH: WINDSHIELD WIPERS



Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed windshield wipers during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	72.0%	28.0%	13.9%	30.7%	23.4%	14.1%	17.5%	25.0%	18.4%	17.8%	25.3%	20.3%	58.6%	11.1%	7.8%	36.0%	37.7%	26.4%

Motor Oil: Another Year, Another Highly Competitive Market In 1988

Leaders should be leaders and set price floors," an angry oil company man said, discussing the oil market. "If business is not as profitable as it should be, let's establish a price and stick with it. No other industry has the kind of competition the oil industry has. There's always one guy undercutting everybody."

Freely translated, this means intense price competition and rebates will continue in 1987 and 1988 motor oil selling. Consumers will still find oil selling as low as 39-cents a quart in chain and discount stores. And that's where roughly 60-70% of motor oil is sold.

NUMBER OF SERVICE STATIONS BY OIL COMPANY

While oil companies do not directly own all the stations selling their gas, these are approximately the number of service stations selling a particular brand of gasoline and motor oil.

Company	Number Of Stations
Texaco	18,700
Chevron	18,600
Exxon	17,400
Mobil	13,300
Shell	11,100
Unocal	10,800
Phillips 66	10,500
Sohio	7,900
Citgo	6,400
Conoco	6,300

Source: *Automotive Marketing* estimates

About 665 million gallons of oil was sold in 1986 for retail distribution (chiefly in stores and service stations), according to the National Petroleum Refiners Association. The great majority of this oil goes for cars and light trucks. The best selling grade remains SAE 10W-40 with 266 million gallons sold.

Previous oil sales don't lead to great expectations. Oil sales in 1986 were well above 1985 sales of 610 million gallons but barely above 1984 sales of 654 million gallons. However, since 1980, oil sales have increased, on the average, about 15 million gallons a year.

The oil people we spoke with put annual growth at about 1-2% or 7-14 million gallons. Indeed, some oil executives expect even less growth due to smaller crankcases and less consumption per vehicle. Thus, to obtain a major gain in market share, a company must steal it from another.

Six companies—Pennzoil Products Co., Houston; Quaker State Corp., Oil City, PA; Valvoline Oil Co., Lexington, KY; Castrol Inc., Wayne, NJ; Texaco Refining and Marketing (Havoline brand), Houston; and Kendall Refining Co., Div. of Witco Corp., Bradford, PA—dominate the retail market. Competition among them is bitter.

On top of this, there is also competition from major integrated oil companies: Chevron USA, San Francisco; Exxon Co. USA, Houston; Mobil Oil Corp., Fairfax, VA; Shell Oil Co., Houston; Citgo Petroleum Co., Tulsa, OK; Sun Refining And

Mergers and Acquisitions Wanted.

JM Industries, Inc., a group headed by James M. Murphey, is interested in merging or acquiring light manufacturing and assembly and distribution companies that market light truck and automotive accessories to the aftermarket.

All interested parties should contact Leon Schwartz at Leon Schwartz Associates, Suite 215, 8001 Raintree Lane, Matthews, NC 28105, 704-542-7130.

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MARKET LINE

Marketing Co., Philadelphia; and Phillips 66, Bartlesville, OK. We call these integrated companies because they take oil from the ground to the end user. The retail companies, except Texaco, actually buy much of their base stock from the integrated companies.

If you add Texaco to this second group, the seven integrated companies control over 100,000 gasoline service stations. Naturally, the integrated oil companies are primarily concerned with gasoline sales. Oil is only a by-product of gasoline refining. A barrel of crude produces about 2 *quarts* of oil and 20 *gallons* of gasoline. When there is more oil than they need to serve the branded stations, they can dump huge quantities of oil into the retail market at bargain prices.

THE LARGEST FAST LUBES

Although these are the largest fast lubes in terms of outlets, there are roughly 1,800 independent outlets. Oil companies expect to see many of these independent operations swallowed up by the larger operations in the next few years.

Chain	# Of Centers
Jiffy Lube (Independent)	650-plus
Minit-Lube (Owned By Quaker State)	220-300
Rapid Oil Change (Owned By Valvoline)	100-plus
Grease Monkey (Independent)	90-100
McQuik (Independent)	50-60

Source: *Automotive Marketing* estimates

As one retail oil company executive noted, that strategy "increases the price of poker for all of us. Say we want space on a key flyer from a retail chain. The cost can be prohibitive because a big oil company wants to dump oil. They can take a splash and move back. It's guerrilla warfare. Hit and run."

One retail oil company executive said a major chain recently was offered $400,000 up front by an integrated oil company. " 'All you have to do is add our product to your shelves,' the retailer was told. The retailer wanted us to meet the offer or lose shelf space," the executive said. "I told him, he's gonna be here today. But what about ten years from now? We've been selling retail for 30 years. They're fair weather marketers."

This may not always be true. For one thing, the retail oil companies have entered the installed market through fast lube operations. Quaker State, Valvoline,

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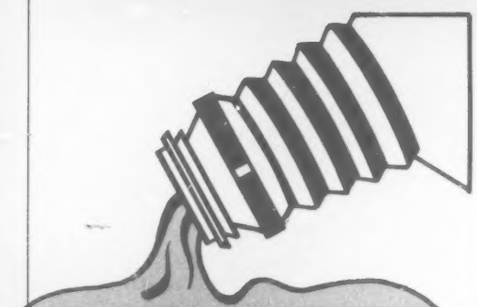

WHERE DO CONSUMERS HAVE OIL INSTALLED

Although service stations still sell the bulk of installed motor oil, the fast lubes are increasing their share faster than any other outlet.

Outlet	% Installed Market
Service Stations	33%
Car Dealers	19
Fast Lubes	15
Garages	11
Tire Stores	7
Discount Stores	7
Auto Chain Stores	4
All Others	4

Source: Automotive Marketing estimates

and Kendall all own or co-own fast lubes. Pennzoil is the leading supplier to the fast lube industry (about 50-55% of fast lube sales), and is one of the primary reasons for the success of Jiffy Lube, the largest fast lube operation (almost 700 centers). The fast lubes presently own at least 14-16% of the installed market (several companies think it's closer to 20%) and are rapidly increasing this share mainly at the expense of service station sales.

For another, several integrated oil companies are showing signs of a long-term interest in the DIY market. Texaco, for example, recently created a separate retail division to sell oil and antifreeze. And Exxon was at the APAA Show in force with spokesman John Madden, five sponsored race car drivers, a new red bottle, a single Superflo name for all its oil, and a annual $15-20 million long-term advertising commitment. Other integrated companies such as Shell with Fire and Ice, and Mobil with Mobil-1, are attempting to position their products as premium oils. And, Chevron has made some gains on the West Coast.

The result might be an even more competitive market, if that's possible. Quaker State and Pennzoil have long been the industry leaders at about 18-22% each. Quaker State is usually just a tad ahead. Quaker State is stronger East of the Mississippi, while Pennzoil is stronger West of the river. In the past year, however, the feeling is unanimous that Pennzoil is now number one.

"Pennzoil is the Coca-Cola of motor oil," one competitor said. "They run consistent hard hitting promotions. They're strong and conservative. Nothing flashy." Pennzoil's on-the-bottle rebate was a fine attempt to eliminate the coupons retailers dislike. In addition, the company prospers from its fast lube dominance. At the same time, competitors said, Pennzoil tends to be inflexible in its negotiations. "You do it the way we want. If you don't want us, we'll sell the guy across the street," was the way one competitor described its attitude. "They have such a strong customer base," another said, "they can concentrate on pull-through selling. The rest of us have to push our product through. But being number one can lead to complacency."

Competitors said that complacency may have hit Quaker State in the last

TRADE ALLOWANCES

The Kendall Refining Company, a Division of Witco Corporation, offers retail promotion allowances to all qualified retailers, regardless of size, who feature Kendall branded products in their advertising. Kendall will pay up to 100% of advertising space or time costs for standard advertising at the rate of 10¢/gallon of eligible products. In addition, a special new store Grand Opening Allowance is available if Kendall products are featured during the grand opening period. All claims must be substantiated by proof of purchase and proof of performance.

If you wish more information on these and other Kendall products and programs, send your name and address to Kendall Refining Co., Division of Witco Corporation, Bradford, PA 16701. Attn: Advertising Dept. Or you may call Andy Maurey at Kendall, at (814) 368-6111.

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(3) Fast air deflate to vacuum from inflatables.
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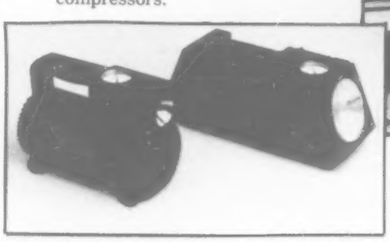
(5) Precision tire pressure gauge built-in.



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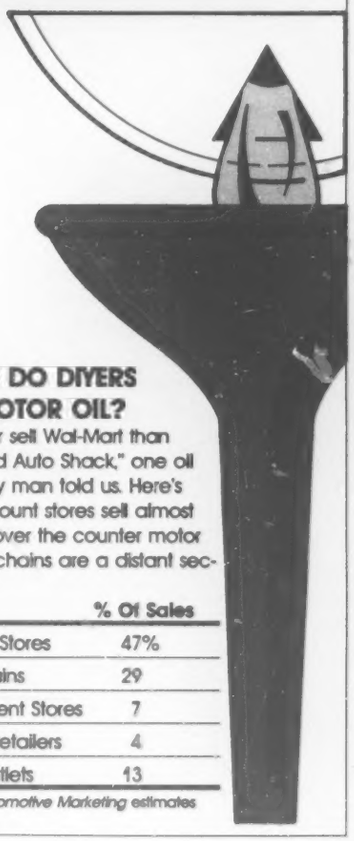
year. "There's a tendency to rely on the things that made you strong," a competitor said. "But the market is dynamic. Sometimes the girl you bring to the dance is not the girl you go home with. Quaker chose the wrong strategies." Last year the company attempted to take a high road toward prices and suffered from opponents' pricing competition. This year, it will be back with better retail programs and advertising. Quaker State enjoys wonderful brand acceptance, a good advertising program, and a history in the retail market.

Two companies—Valvoline and Texaco Havoline—are also running neck and neck for third in the 11-14% range. Both are aggressive companies.

Valvoline gets mixed reviews from its competitors. Currently, Valvoline is offering consumers a $5 rebate on 12-quart cases, a strategy that takes the consumer out of the market for a long time. Competitors said it does an excellent job with ads. It is also pushing its Rapid Lube operation (about 100 locations). However, competitors said Valvoline is too dependent on specials and rebates to sell product. They also question the company's loyalty to its distributors.

Texaco made great gains in the last few years simply by pricing below everyone else. At times, its daily price was 20-cents under other brands. "You have to get your stuff on the shelves, no matter what it costs," a competitor said. "You can advertise all over the place, but you have to make sure the consumer can buy it." Whether the company can sell at retail with a non-special price has yet to be seen, according to competitors. Still, Texaco has over 18,000 service stations, a pot of money, and it is the only integrated oil company to have a real share of the retail market.

There are two other retail oil companies with significant market shares. Castrol has made astounding gains over the last five years by creating a niche in the market. Castrol identified the four-cylinder market in the late 1970s and pushed its special small engine oil to about an 8-10% share of market. Kendall, after 106 years, is one of the oldest companies in the oil market. Although it only has a 4-6% market share, the company has about 300 distributors and is loyal to them. It is strong in the Midwest and fleet sales.



WHERE DO DIYERS BUY MOTOR OIL?

"I'd rather sell Wal-Mart than Chief and Auto Shack," one oil company man told us. Here's why. Discount stores sell almost half the over the counter motor oil. Auto chains are a distant second.

Outlet	% Of Sales
Discount Stores	47%
Auto Chains	29
Department Stores	7
Jobber Retailers	4
Other Outlets	13

Source: *Automotive Marketing* estimates

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NO MATTER HOW THEY CHANGE THE CAR...

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Perhaps 15 other companies compete in the market. We might note Citco with its guaranteed sales to Chief Auto, or Phillips 66 and Conoco, Houston, which are both regionally strong in the Plains states. That leaves the major integrated oil companies, all with less than 5% market shares. Still, the retail oil companies watch them closely. At any time, any one of the integrated companies could use its vast resources to flood the retail market, particularly now that the fast lubes are making serious inroads in the installed market. When we asked a retail oil company man whether he thought Exxon would stay in the market long term, he said, "I hope not. They're the one we're concerned with."

But these companies have internal problems. As one huge oil company's retail chief said, "A company devoted solely to consumer oil sales looks at the business differently. We make more money on volume (barrel) sales. So we have to sell the board of directors on retail. And when you get a one-tenth of a percent increase in market share after spending $20 million, that's a hard sell. All we can say is that you won't see the value immediately. It may be three or four years down the road. Our market share may not change one iota in 1987. They have to understand that."

The real question will be the impact of the fast lube market. Several companies think a shake-out is in the works. It's hard to find economic locations, the zoning process is difficult, and good employees are hard to find. At least one company advertises in food service magazines for managers. "Why not? Fast food people are used to servicing the public, dealing with traffic, and systems controls. Plus, the opportunities no longer exist in fast food." If the fast lubes continue to take sales away from service stations, companies with service stations will be forced to either emphasize retail sales or simply buy a fast lube operation.

For the next year or two, the oil market will not see any changes. Everyone hates rebates, but in a flat market they will continue. One good promotion can mean a very successful quarter. The retail oil companies are all trying to establish a premium oil but with little success, so far. The integrated oil companies will continue to dump oil and keep prices low in a search for market share.

All in all, it's more good news for the consumer, and bad news for increased profits. ■

Market Update: Exide Claims #1 Position

Johnson Controls Battery Div., Milwaukee, WI, has long dominated the battery market with only three major customers: Sears, Interstate, and NAPA.

But at the recent APAA Show, Art Hawkins, president and CEO of Exide Corp., Horsham, PA, announced Exide had obtained all NAPA business (over two million batteries a year, according to Exide) and was now the number one battery supplier. Earlier this year, Exide doubled its market share by purchasing General Battery. With the NAPA deal, Hawkins said Exide now enjoys about a 30% market share.

Hawkins and executive vice president

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WORKING FOR IMPORT PROFITS

A certain amount of increased import product sales will come to those who simply wait. More sales will go to those who aggressively go after that market.

by **Edward L. Kaufman,**
Contributing Editor

Chain stores are positioning themselves for faster growth in the import aftermarket—and they really don't have much choice about the matter. Quoting *Automotive Marketing's* article on globalization in the August 1987 issue (The Aftermarket Gets MORE Complex), "...considering the possibility that domestic production may account for only 56% of new car sales in the United States in 1989, serving the import car aftermarket is more than opportunity...it represents *survival*!"

Chain stores which participate in the automotive aftermarket—this includes food/drug/hardware retailers as well as mass merchandisers and automotive chain stores—obtain *some* sales growth from the import aftermarket without really trying. That is, they gain through the sales of "universal" DIY products such as chemicals, batteries, and accessories. Owners of Saabs and Subarus are as likely to patronize chain stores for these items as are owners of Fords and Chevrolets.

The dollar volume of these sales can be

IMPORTS AND ACTION AUTO

In Flint, MI—where GM makes Buicks and headquarters its vast parts distribution network—registrations of foreign make vehicles are rising. Only 9% of the total vehicles were imports in 1984, but they have risen to 13%, an increase of 44%.

In order to meet the growing demand, the Action Auto chain in Flint uses a two-pronged approach. Where possible, it stocks from its "American" suppliers. In addition, it buys Import Car World, the retail carded line from Worldparts, an import specialist. The chain only stocks such fast moving items as ignition and bolt-on parts, including starters, alternators, and water pumps.

To heighten consumer awareness, Action Auto has set aside sections in its stores devoted to imports.

Edward L. Kaufman is president of Lindsey-Kaufman Co., a marketing consulting firm specializing in the automotive and truck aftermarkets. Inquiries for additional information should be sent to him at: Lindsey-Kaufman Co., 53 Hamilton Place, Tenafly, NJ 07670, (201) 567-6158.

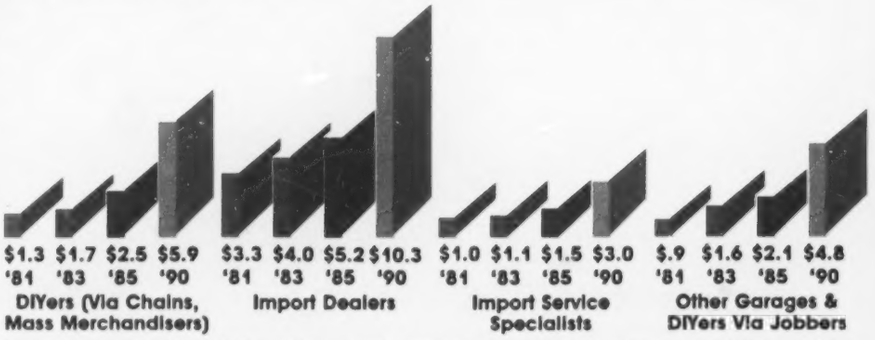
OVERVIEW OF THE IMPORT AFTERMARKET 1981-1990

(RETAIL SALES IN BILLION OF CURRENT DOLLARS)

These charts present data on the size, composition, and growth prospect of the import aftermarket based on a 1984 study. The market, as defined here, includes retail sales of parts, accessories, batteries, and chemicals for imports. The study estimated that sales would rise from $6.6 billion in 1981 to $11.3 billion by 1990. This represents average annual growth of 15.4% in terms of current dollars. In terms of real growth (non-inflationary dollars), this market is growing at better than 9% per year. The category of particular interest here is replacement parts. The study estimated that total sales of replacement parts for imports will increase by 15.7% per year between 1981 and 1990. The total sales to DIY owners by chain stores and mass merchandisers amounted to $1.3 billion in 1981 and will rise to nearly $6 billion in 1990. That represents growth (in current dollars) of nearly 18% per year.

	1981	1983	1985	1990	Average Annual % Growth 1981-1990
Total Sales	$6.6	$8.4	$11.3	$23.9	15.4%
By Product Category:					
Replacement Parts	$4.3	$5.5	$7.4	$15.7	15.4%
Accessories	1.6	1.9	2.7	5.7	15.4%
Batteries	.4	.5	.6	1.4	14.4%
Chemicals	.3	.5	.6	1.1	17.0%

Total Sales By Type Of Installer:

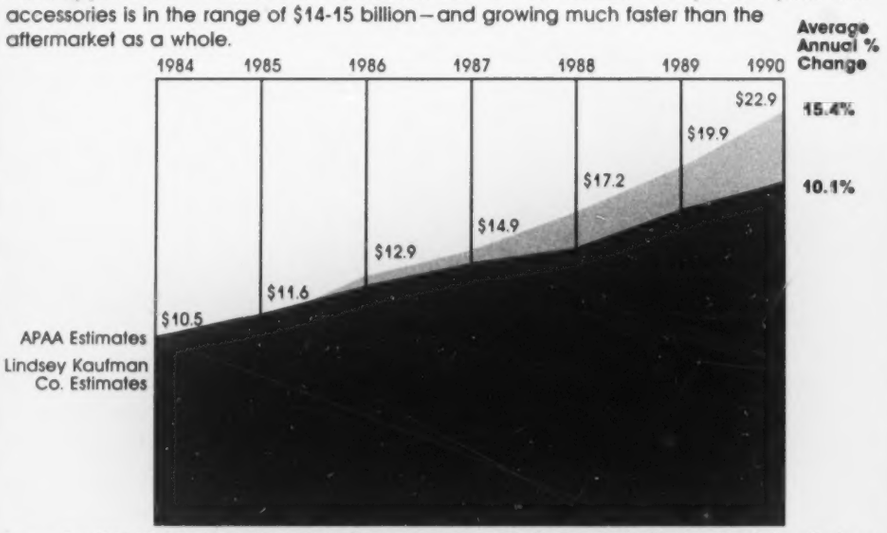

$1.3 $1.7 $2.5 $5.9
'81 '83 '85 '90
DIYers (Via Chains, Mass Merchandisers)
$3.3 $4.0 $5.2 $10.3
'81 '83 '85 '90
Import Dealers
$1.0 $1.1 $1.5 $3.0
'81 '83 '85 '90
Import Service Specialists
$.9 $1.6 $2.1 $4.8
'81 '83 '85 '90
Other Garages & DIYers Via Jobbers

Source: Excerpted from the 1984 Frost & Sullivan study "Import Car Aftermarket." Numbers rounded to billions of dollars. The columns above do not add precisely to total.

WORKING FOR IMPORT PROFITS

COMPARISON OF ESTIMATES ON THE IMPORT AFTERMARKET
(RETAIL SALES IN BILLION OF CURRENT DOLLARS)

APAA released data that states the import aftermarket reached $10.5 billion in 1984 and would rise to $17 billion in 1989; that represents growth of 10.1% per year. Projected to 1990, the APAA data indicates a market of $11.6 billion in 1985 rising to $14.0 billion in 1987. The Lindsey Kaufamn Co. estimates $11.2 billion in 1985 rising to $14.9 billion in 1987. After 1987, the estimates diverge considerably but considering unknowns like the inflation rate, it can not be argued that the present estimate of $22.9 billion in sales in 1990 is likely to be more accurate than the $18.7 billion figures for that year indicated by the APAA data. So there appears to be an informed consensus that the 1987 market for import car parts and accessories is in the range of $14-15 billion—and growing much faster than the aftermarket as a whole.



Source: The 1984 APAA study "The Dynamics Of The Import Car Aftermarket" and estimates from the Lindsey Kaufman Co.

very significant. For example, estimates on batteries alone are that owners of imports bought $400 million worth of replacement batteries in chain stores in 1983 and will buy nearly $1.2 billion worth in 1990. Estimates on accessories are that chain stores will retain a 23% share of the purchases by DIY import owners. The growth of the import aftermarket is such that *with no change in market share* this will mean sales of $1.3 billion in accessories for the chains in 1990 as compared to less than $450 million in 1983. The prospects for increases in sales of chemicals (waxes, anti-freeze, additives, etc.) to import owners is equally good: Over $930 million in 1990 versus less than $370 million in 1983.

Fantastic Growth Possible

Fantastic growth! And that is without really trying—without any special program to attract import owners, or to tailor inventories to their needs. The real questions about the import aftermarket for the chain stores have to do with the markets for replacement parts and services. At this time, there are no estimates available on the chain stores' stake in the market for import service. However, the sales potential for chain stores in the market for replacement parts (assuming they move aggressively to increase their market share) is staggering.

A 1984 Frost & Sullivan study estimated that in 1983 chain stores obtained retail sales of $510 million on replacement parts for DIY owners of imports. That level of sales represented a 9.3% market share for chain stores. Assuming an increased 12.6% market share in 1985, the chain store sales may have been around $900 million. If they attain a 15% market share in 1990, this would mean sales of more than $2.3 billion—more than four times the level of sales to this segment in 1983.

But, the chains won't achieve results like this without trying. They have to be perceived as good outlets for import replacement parts in terms of coverage,

IMPORTS AND CHIEF AUTO

In Dallas, Chief Auto is in the midst of re-evaluating its program for imports. The company has established criteria for import programs and has written to all of its current vendors asking how they match up to the criteria.

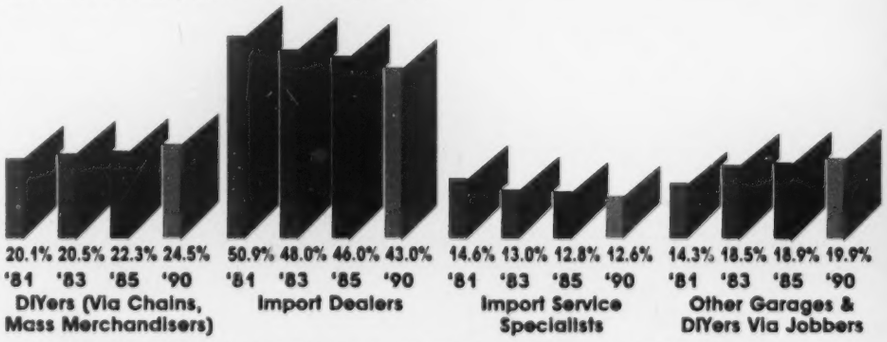
Chief has two major divisions, one in Texas and the other in California. In both areas import parts have their own gondolas. Of course, registrations of imports are higher in California than in Texas, and this affects both inventory policies and sourcing practices for the two divisions. Chief supplements coverage of its domestic suppliers by means of parts purchased from a specialist, IAPCO. This importer-distributor offers a complete line in both breadth of coverage and depth of inventories. The IAPCO line is stocked more deeply in California than in Texas.

Regarding accessories, Chief's policy is not to differentiate between domestic and import applications. "An accessory is an accessory."

Chief Auto has been told by some of its suppliers that it is doing better on sales of import parts than its competitors. Nevertheless, Chief's management is far from complacent. The company's marketing director, Kent Stickley, said, "The feeling here is that we are doing well, but are we getting all that we can? As business grows, we want our fair share."

ESTIMATED SHARE OF THE IMPORT AFTERMARKET
BY TYPE OF INSTALLER 1981-1990

This chart presents estimates excerpted from the Frost & Sullivan report on market share by type of installer. The study estimated that sales to DIY owners of imports by chain stores and mass merchandisers amounted to just over 20% of the market in 1981 and will rise to just under 25% in 1990. One of the reasons for this is the belief that chain stores—especially the automotive chain stores—will expand their coverage of replacement parts for import applications. Finally, research gives one perspective on how various types of chain stores participate in the import aftermarket: some chain stores participate via their service bay operations. This is not just a DIY market, nor are retailers with service bays limited to installing only the parts they stock.


20.1% 20.5% 22.3% 24.5%
'81 '83 '85 '90
DIYers (Via Chains, Mass Merchandisers)
50.9% 48.0% 46.0% 43.0%
'81 '83 '85 '90
Import Dealers
14.6% 13.0% 12.8% 12.6%
'81 '83 '85 '90
Import Service Specialists
14.3% 18.5% 18.9% 19.9%
'81 '83 '85 '90
Other Garages & DIYers Via Jobbers

Source: Excerpted from the 1984 Frost & Sullivan study "Import Car Aftermarket." Numbers rounded to billions of dollars. The columns above do not add precisely to total.

WORKING FOR IMPORT PROFITS

IMPORTS AND NATIONWISE

In Columbus, OH, Nationwise reports a slight increase in sales of parts for imports and, in the opinion of buyer Craig Butt, this is largely the result of new programs, that is, additional lines of parts. Each of the stores devotes 8' to 16' running feet of gondolas to import parts.

Butt feels that the import parts market in Nationwise territory is now maturing with imports finally reaching the repair stage in significant numbers.

Nationwise uses more than one approach to the problem. It stocks an IAPCO line which is very broad and deep. In addition to carrying many fast moving items, Nationwise has a special order program with limitless possibilities. For example, a customer can special order a ball joint for a Jaguar. Nationwise also has integrated import parts into such lines as exhaust and ride control (Walker and Monroe).

In the way of accessories, car masks (bras) are very popular but are supplied by a vendor which also manufactures for domestic car applications.

IMPORTS AND AID AUTO

In the New York metropolitan area, the Aid Auto Stores serve import country. This is reflected in Aid's sales: approximately 30% of its parts sales are for import applications. As Aid finds increased coverage on applications from its main domestic suppliers, it is reducing its dependence upon specialists. Aid used to buy MPA's complete line, including water pumps, disc brake pads, etc. Aid now buys import disc pads from its domestic brake parts supplier and found a new (domestic) supplier for water pumps—including import applications.

Does this mean that specialist suppliers are going to fade away? They are too resourceful for that. When MPA found itself unable to compete on water pumps and disc pads, it dropped them from its program. On the other hands, it strengthened its ignition wire program, going from a semi-universal with 12 SKUs to a more custom line—which Aid has added.

Aid had considered changing specialist lines. However, in order to get the best price, Aid would have had to stock 2,000 SKUs.

Jimmy Meyers, Aid's parts buyer, figures he can get coverage on most of these items from domestic suppliers. Thus, Aid has added front end parts from Moog, brake parts from Perfect Parts and rotors from Aimco. This approach is more attractive to Aid in terms of turnover than stocking a strictly foreign line.

In a pattern which is quite typical for the aftermarket, Aid stores have import sections which display the carded items (especially ignition parts). The bulkier and slower moving hard parts are stocked behind the counter.

IMPORTS AND YOU

Here are some questions chain stores typically ask about the import aftermarket.

- Do I need to have separate sections for import parts?

The answer to this question is dependent upon consumer perceptions. When we get to the point where consumers view all vehicles, regardless of origin, as vehicles—including Hondas built in Marysville, OH, as well as Chrysler nameplates built in Japan—there will be no need for separate sections. Then, vehicle owners will look for brake parts in the brake part section and water pumps among water pumps. But, we are not there yet. So, as long as owners view their vehicles as "special," they will expect treatment. This means, for the time being, gondolas devoted to import parts.

- To what extent can I source via domestic suppliers?

Conversely, chains are asking, "To what extent should we source from specialists?" Practically speaking, the answer to that question is likely to change on a weekly or monthly basis. That is, domestic parts manufacturers are extending their coverage to the most popular makes of foreign nameplate applications.

Will there continue to be a place for specialists in the market? No doubt of it. The reason, very simply, is that many millions of Americans prefer not to own or drive mass market vehicles. Specialists will be needed to stock parts for the lower registration vehicles. What they lose on business for VW and Honda may be off-set by business on Merkur Xr4Ti or other "hot" items still on drawing boards.

- Do I have the expertise to service imports?

The answer to that very simply is, "If you don't, you ought to get it pretty quick!" You can no longer be an installer who turns away work because it happens to be on a foreign name plate vehicle.

The problems here seem to be that 1) Mechanics tend to be innately conservative and fearful of tackling anything unfamiliar—which means they need training, and, 2) The managements of many chain stores don't know enough about service to either tell the mechanic to get on with the work or to get them the training.

prompt availability, convenient hours, competitive prices and knowledgeable, helpful personnel.

The chain stores are aware of this and they are reconsidering what it takes to be a successful retailer of parts to import owners. This involves reviewing parts inventory policies in the light of the latest data on import registrations, and re-evaluating their approaches to sourcing parts.

In general, the stores prefer to buy their parts for imports from the same manufacturers who supply them with parts for domestics. From the chain store point of view it is a pain, frankly, to have to deal with long lists of suppliers. Ideally, they would prefer to buy all of their shock absorbers from the same one or two manufacturers. Similarly, with ignition parts, brake parts, etc. But, in fact, manufacturers for domestic vehicles have voids in their programs which have created opportunities for importer-distributors of replacement parts.

Import Trends

Trends in the import aftermarket are hard to follow because of shifts over time by demographics and geographic area. For example, it was once possible to think of the import market as a market of specialities: expensive toys for the rich and sub-compacts for thrifty avant garde types. Today, Toyotas, Hondas, and Nissans are bought in vast numbers by the same "middle-Americans" who used to buy Chevrolets and Fords. The import market used to be thought of as primarily a *coastal* market; that is, high registrations along the Atlantic seaboard and the West Coast, fairly substantial registrations near Great Lake and Gulf ports—but a big void in the South, Central and Mountain states. But, the fact is that registrations of foreign-made vehicles are rising everywhere in the U.S.—and they are rising fastest where they had once been weakest: the Midwest and Southern states.

Chain stores appear to be changing their approaches to the import aftermarket, depending upon whether they are in a maturing or fast-growth market for imports. Where registrations of imports have been above the 30% for some time, as in West Coast, Northeast and Mid-Atlantic states, the chains have traditionally been important customers of specialist distributors such as IAPCO, MPA, IAP and Import Car World from Worldparts. Now, seeing wider coverage of import applications by their mainstream domestic suppliers, they are moving toward reducing purchases from the specialists.

At the same time, however, import specialists are finding opportunities for growth in the markets in which registrations of foreign-makes have only recently begun to rise. In those markets, chain stores acknowledge a need for help in creating import parts sections. Specialists are responding with advice on coverage, special order programs and the packaging and display material which make the statement that, "we have import parts!"■

PERFORMANCE FILLS A NICHE

It isn't the great days of the muscle cars any more, but sales of performance products can help overall sales.

by **Philip Katcher,** Research Editor

The good old days of hot rods and muscle cars—those big V8-engined cars that cruised the streets in the 1950s and 1960s—are gone. The double knockout punches of gas shortages and governmental environmental and safety regulations have made those good old days a thing of the past. Even so, there is still a sizeable market for today's performance parts—and, it's a key DIY market.

Indeed, experts state that car owners spend as much as $3 billion annually on performance parts. And, said a spokesperson for a company that manufactures high performance shock absorbers, "I see the performance market as rapidly growing. It's not so much that it's getting larger, but that people now have a much greater tendency to upscale the products they buy today compared to what they did in the past."

Where, what, and how performance dollars are spent have changed radically over recent years. More of the total dollars spent are now being spent on the OE level. Vehicles are more and more difficult to modify, because of both technology and governmental regulations. The three major U.S. auto makers expect to sell some $50 million this year in performance parts and accessories alone. Ford expects to sell some $12.2 million worth of performance parts in 1987 at the factory level.

Much of the OE sales comes from products which are difficult to retrofit. Turbochargers, for examples, have come from virtually nowhere to become a major performance item on many new cars. In fact, the Motor & Equipment Manufacturers Association (MEMA) predicts that by 1990 nearly a million new cars could be sold with turbochargers.

The Changing Retail Market

When the change in the market began, some smaller high performance retailers who relied totally on the high performance market found that they had to either hang tough, close their doors, or diversify their product lines: their market had become as narrow as their profit margins. Many survived without any real problems because they were in the right market area and, as the larger chains dropped high performance lines, they increased their stock.

While some specialist performance stores changed their postures, so did many of the broad-line hard parts jobbers. Many of them removed "wholesale only" from their signs. They began to see the large DIY involvement in performance (one performance shock absorber company believes some 80% of its sales go to DIYers). They welcomed DIYers with an open cash register. Some moved their counters back and installed gondolas filled with aftermarket products and DIYer books. And some began to take on performance lines. They became new sources of supply for frustrated high performance customers who could not get the right products from their usual suppliers and who didn't want the bother of dealing through the mails.

At the volume retail store local level, however, the market has continued to be admittedly a minor part of total overall sales. Avis Cox, Secretary-Treasurer of Cox Auto Supply, Yankton, SD, boasts, "We have been known in this area for performance parts since 1964." Even so, only some 10% of the company's total sales comes from the sale of performance parts. Even sales of parts for imported vehicles—in an area with a modest percentage of imported vehicle registrations—is a greater percentage. In all, 15% of Cox's total sales comes from the sale of parts for imported vehicles.

However, any retailer would be happy to find a good product category that would give him a solid 10% of his sales in a predictable manner. And, it can be a good market to tap to draw in customers who wouldn't otherwise be seen. Richard Davis, O'Reilly Automotive, Branson, MO, makes a special effort to sell these products. Why? "This is a market no other store in my town is pushing," he said, "so I have a good opportunity for added sales."

Performance Part Types

Not all performance parts are created equal. There are:

- **True Performance Hard Parts**

These products are at the heart of modifying a car to get maximum performance out of it. They include things like multi-barrel carburetors, cams, performance mufflers, shocks, and headers. According to a 1986 Specialty Equipment Market Association (SEMA) market study report, 34.5% of the performance market was in engine, carburetor and fuel injection, ignition, chassis and brake, and exhaust parts. In sales, this broke down to $110 million in internal engine components, $52 million in cams and valve train components, $9 million in gaskets, and $120 million in all other engine parts (except for pure engine dress-up parts, of which $30 million were sold.). Moreover, SEMA reported the sale of $11 million worth of clutches and flywheels, $18 million in floor shifters, $28 million in transmission parts, and $17 million in other drivetrain products.

- **Appearance Performance Products**

Since so many cars now can't be modified, and speed limits are so low as to make modifying them often a waste of time, many enthusiasts are now spending their money on products that make their cars *look* as if their speedometers can hit above the century mark easily. SEMA's study reported that 25% of performance product sales were in the pure appearance product area. These include products such as custom wheels, sun-roofs, running boards, louvers, "bras," and body styling components such as spoilers, which *can* actually aid performance at the extremely high speeds that are rarely reached by the average car owner.

Wheels also can improve performance, although they are generally considered in the appearance category. They make up a major part of the market by themselves; the SEMA study reported 16.9% of the overall market sales being in the custom wheel category. However, the bulk of cus-

tom wheels—as much as 80%—is sold by tire dealers.

• **Performance Tires**

Tires are both performance and appearance performance products. They are both capable of turning out improved performance and looking as if they do, too. They are generally bought by car owners who want to make their cars look, rather than actually handle, better. Tires rate their own category as a performance part type because of that; because they are often sold by specialty dealers rather than volume retail outlets; and because of their importance in the performance market. SEMA's study reported sales of $415 million in performance tires, for a 21.4% of the overall performance market. The sale of performance tires is often coupled, as well, with that of custom wheels. Retailers report that over half of the buyers of performance tires buy custom wheels at the same time.

• **Performance Chemicals**

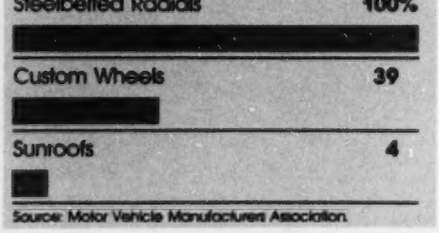
Performance enthusiasts are big chemical purchasers. In all, they spent some $12 million on engine oil additives, $10 million on octane boosters, and $8 million on waxes and polishes, according to the SEMA study.

• **Performance Protection Products**

No, these are not security products to keep people from stealing installed performance products. These are products needed to keep performance products working at their best. A good example would be the intercoolers that help turbochargers keep running by providing extra protection from the high heat found in turbocharged engines. Another example would be the transmission cooler, sales of which ran around $4.5 million, according to the SEMA study.

PERFORMANCE GOES OE

In a number of areas new car buyers are buying traditional high performance products from the new car manufacturer at the same time they buy their cars. Below are the percentages of those adding performance-type products to their 1986 cars when they bought them. But, a higher incidence of performance-type equipment also means more potential replacement and upscaling possibilities in the years to come as these cars age.



Source: Motor Vehicle Manufacturers Association

Selling Performance Products

Performance products are surprisingly easy to sell. The spokesman for one high performance shock absorber company said performance product buyers are "very knowledgeable." They find out about the products they want from other performance buffs or buff publications. Indeed, SEMA's figures indicate that 92% of performance buyers decided what they were going to buy before going to a store.

In an era where stores are increasingly self-service style, therefore, it becomes important that the buyer be able to find what he's looking for himself—and easily. "I feel 100% that each store should have a proper layout," the shock absorber company spokesman said. "Performance should be grouped in its own area." The exception he makes is for overlap products like shocks or mufflers that are not that much different, especially in price, from regular products. Even in those product categories, there should be a small area in which either performance products are displayed or signs indicate that more performance products in this category can be found in the performance area.

This spokesman also feels strongly that some literature be incorporated into the performance display areas. "It's good for the customer to sell himself," he said. If the customer can read the reasons for buying a product that costs a few dollars more than the regular product, the retailer has a much better chance of making a higher sale.

Note Regional Differences

Another key to this unique market within a market is the retailer's ability to understand his own backyard. While each store in any chain might carry a relatively full line of aftermarket products, one might need two high performance salesmen while another might require only a part-timer. In one area the store might be in a seller's market, in another area clearly in a buyer's market.

For example, Thomas Hamilton, who runs a Western Auto Store in Ironton, MO, said that only 2% of his sales come from performance parts. "There's not enough market in our particular area up until now to make any special effort to sell performance parts and accessories," he said. B.F. Greer, whose Western Auto in Dublin, TX, does about 5% of its sales in performance, said that there are "not many enthusiasts in this area." But, Dave Holcomb, whose Western Auto Store is in San Pedro, CA, plans to increase stocks of performance SKUs, at least on a small scale, even though he believes that performance will never be what it was in the 1950s and 1960s.

Generally, SEMA's figures indicate, for example, that 26.6% of performance parts were sold in California, Oregon, and Washington, while only 14.7% of the consumer population lives in those states. On the other hand, 15.5% of the population live in mid-Atlantic states but only 11.0% of performance parts are sold there. Percentages between population and performance part sales can differ even more dramatically at smaller, local levels.

Only the retailer can determine the demographics of his own local marketing sector. But he will never know the art of selling high performance products unless he is willing to buy and display what's wanted. Those who follow that simple formula will be in the winner's circle at their local banks. ■

REACHING THE TRUE DIYER

The nice thing about performance products is that they bring in the very serious, true DIYer—that customer who really helps the store's bottom line.

A case in point: the performance cam shaft.

It's not an easy job to install a new cam shaft. The leading non-OE maker of cam shafts has produced a 35-page-long booklet that tells a DIYer how to do that job: It's a job that starts with removing the hood. Thereafter, the cam shaft replacer has to remove the fan and radiator, water pump harmonic balancer, fuel pump, timing chain cover, valve covers, intake manifold, valve train, timing chain, cam sprocket, and, finally, the OE camshaft. Then, his garage floor covered with the pieces of his disassembled engine, he has to install the new cam and lifters. Finally, he's got to put all those pieces back the way he found them.

Not an easy job. Not a job for a faint-hearted DIYer.

But, this company also reports fully 75% of its cam shaft sales go to DIYers. And, any DIYer who will do this job has got to be the best type of customer an automotive aftermarket retailer can have.

SHOPPING FOR INFORMATION?

LOOK TO YOUR COMPETITION

Your competitors can be the best source of information you have. But first, you have to know who they are and what they can tell you.

by **Gail Krueger-Nicholson,** Senior Editor

You can't ignore your competition. And, no matter how much you may wish to, you can't make your competition go away. But one thing that you can do with your competition, a move that is gaining favor with retailer managers, is to view the competition as a *source of information* instead of as just an adversary. You can take steps to implement this idea.

Who Is The Competition, Anyway?

First, identify your competition. Your competition may not be limited to who you think it is. It's a given that if you are "Joe's Aftermarket Store," you compete against "Bill's Aftermarket Store" for business. But what about all the other retail outlets in town? Do they, and just as importantly could they, compete against you?

To get a clearer picture of who the competition is, you should ask and answer two questions about the other retail outlets in your area:

- Who else satisfies the same customer needs as I do?
- Who else has and uses (or could have and could use) the same non-product/operational resources as I do? Non-product/operational resources include things like location, man-power, store hours, customer services, product suppliers, warehouse space, distribution, and other non-product items.

The greater the similarity between your store and other outlets, the greater the potential for competition. Potential competitors have the ability to satisfy the same customer needs as you do, or have similar non-product/operational resources to yours. Potential competitors turn into real competitors when customers perceive them as being able to satisfy their needs and when they use the same non-product/operational resources that you do to operate in your market.

How It Works

For example, instead of narrowly defining your competition by asking yourself who else sells oil, ask yourself who else can meet the customer's need to lubricate his engine. In the one case, if you are "Joe's Aftermarket Store" you may think your only competition is "Bill's Aftermarket Store" down the street. On the other hand, if you broaden your definition of who the competition is to include outlets that meet the need to lubricate the customer's engine, you realize that the competition includes "Bill's" as well as "Town Discount Store," "Bob's Fine Foods," and "Dick's Quick Lube" among others. They are potential competitors because they meet the customer's need in one way or another:

- "Bill's" is a lot like you: it sells three different brands of oil at three different price points.
- "Town Discount" also sells oil. It sells the same three brands you do plus a couple more, and it sells them for less.
- "Bob's Fine Foods" also sells oil. It sells only one brand, and it is tucked in between paper goods and cleaning supplies.
- "Dick's Quick Lube" sells oil through installation.

THE COMPETITION: ALL PRODUCTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of all types of aftermarket products?"

Independent Automotive Retailers	22%
Automotive Chain Stores	61
Independent Jobbers	30
Programmed Distribution Jobbers	22
Discount Stores	48
Hardware/Drug/Supermarket	2
Service Stations	0
Specialty Service/Installers	13
Car Dealers	2
WDs	5

Source: 1987 AM Retail Panel
Totals are more than 100% due to multiple answers.

THE COMPETITION: HARD PARTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of hard parts?"

Independent Automotive Retailers	20%
Automotive Chain Stores	39
Independent Jobbers	39
Programmed Distribution Jobbers	28
Discount Stores	15
Hardware/Drug/Supermarket	0
Service Stations	0
Specialty Service/Installers	7
Car Dealers	2
WDs	7

Source: 1987 AM Retail Panel
Totals are more than 100% due to multiple answers.

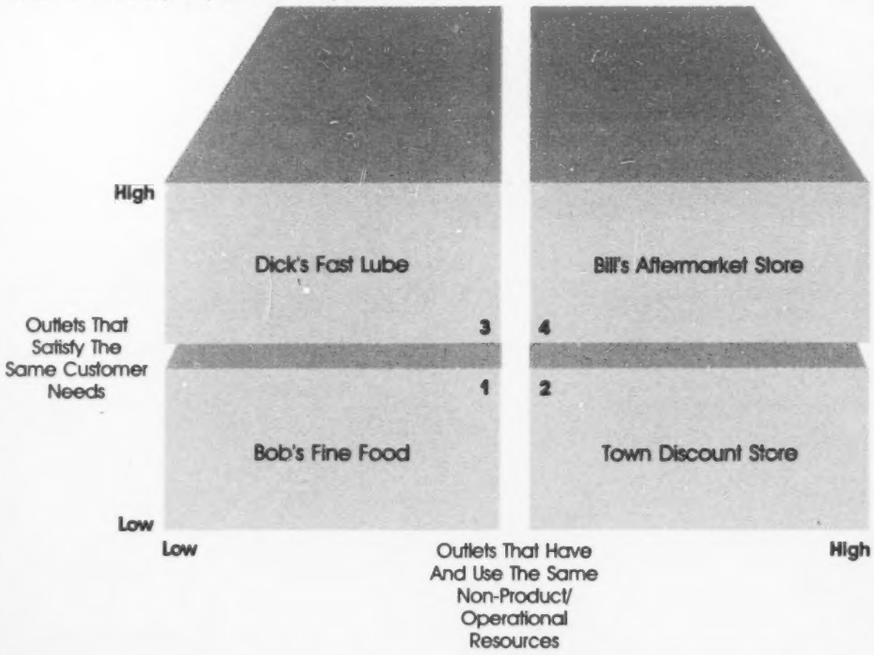
Shop The Competition

Next, answer the second question: Who else has and uses (or could have and could use) the same non-product/operational resources as I do? To do this, take a look at the chart called "Shopping The Competition." Use it when you shop the competition (we are assuming you are as smart as 87% of our Retail Panel and *do* shop the competition; and we are also assuming you are as smart as the 86% of them who do so regularly) to evaluate both product related facts and non-prod-

LOOK TO YOUR COMPETITION

COMPETITION SQUARES

Once you have identified your competition, place them in these squares according to how well they satisfy the same customer needs that you do (high or low) and if they have similar non-product/operational resources to you (high or low). Those outlets in square one are your least likely competitors. Those outlets in square four are your most immediate competitors. Those outlets in the square two and square three are your potential competitors.



Source: Adapted from "Competitors As Sources Of Innovative Marketing Strategies," C. Whan Park & Daniel C. Smith for The Marketing Science Institute, 1986

uct/operational resources. Use it when you shop in "Bill's." Also use this chart when you shop "Town Discount," "Bob's," and "Dick's." Using our chart will give you a good picture of the competition's strengths. For instance, using our chart you would find out:

- "Bill's" has two full time clerks and one part time clerk who all know as much about oil as your guys do, and it keeps about the same hours as you do. But there is no parking here, and the store is cluttered and dirty inside.
- "Town Discount" is open more hours than you are and the oil is cheaper, but the clerks here do not know as much about oil as the ones in your store do and they are surly toward customers. Nevertheless, there are a lot of customers here and they buy a lot of oil.
- "Bob's Fine Foods" hours are longer than yours. And the clerks there know nothing about oil. However, the clerks are very customer-oriented, friendly, and helpful.
- "Dick's Quick Lube" has long hours and the installers are well-trained to do their job. But that is all that they do—they don't answer customer questions or sell anything else.

Ranking The Competition

Now that you have identified your competition and identified some of their non-product/operational resource strengths and weaknesses, you can rank them using our "Competition Squares" chart. Those outlets that fall into square four are your most immediate competitors (in this case, "Bill's"). Those in square one are your least likely competitors (in this case, "Bob's Fine Foods"). Here's why:

- "Bill's" is obviously the most like you. It sells the same product and utilizes almost the same non-product/operational resources.
- "Bob's Fine Foods" is the least like you. It is only related to you in that it meets the customer's need to lubricate his engine by selling one brand of oil. But it does not share any of the non-product/operational resources you have. To compete with you in selling oil, "Bob's" would have to get additional suppliers and different staff.

Those outlets in the square two ("Town Discount") and square three ("Dick's Quick Lube") are your potential competitors. Here's why:

- "Town Discount" has the non-product/operational resources necessary to grab your customers, and it already sells some of the same product.
- "Dick's Quick Lube" offers a need-based alternative to you. That is, it sells oil but uses different non-product/operational resources to do so.

What You Learned From The Competitors

So, now what do you do with all the information you've collected, all the rankings you have compiled? You learn from them, you use them for sources of information. Each of the competitors, even the least likely one ("Bob's"), has taught you something. For instance:

- When you study "Bob's," you worry

THE COMPETITION: CHEMICALS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of chemicals?"

Independent Automotive Retailers	7%
Automotive Chain Stores	43
Independent Jobbers	2
Programmed Distribution Jobbers	11
Discount Stores	70
Hardware/Drug/Supermarket	17
Service Stations	4
Specialty Service/Installers	4
Car Dealers	0
WDs	2

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

THE COMPETITION: ACCESSORIES

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of accessories?"

Independent Automotive Retailers	7%
Automotive Chain Stores	37
Independent Jobbers	4
Programmed Distribution Jobbers	15
Discount Stores	65
Hardware/Drug/Supermarket	6
Service Stations	2
Specialty Service/Installers	2
Car Dealers	0
WDs	0

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

that if they ever turn those friendly, helpful clerks loose on a well-stocked automotive department within the food store you could lose a few of your top-off oil buyers. You decide your own staff needs to be more customer aware.

- When you study "Bill's," your most similar competitor, you realize the importance of a clean, neat store, and you feel you do a good job with that.
- When you study "Town," you decide your bulk oil display is not as effective as it could be because customers do not respond as well to it as they do to the bulk display in "Town." You decide to rebuild your bulk display.

THE COMPETITION: DO YOU SHOP THEM?

We asked our Retail Panel: "Do you ever go into a competitor's store?"

Yes	87%
No	11
Don't Know/No Answer	2

Source: 1987 *AM* Retail Panel

THE COMPETITION: HOW OFTEN?

We asked those of our Retail Panel who do shop their competitor's stores: "How often do you do so?"

Weekly	11%
Monthly	34
Every Three Months	30
Every Six Months	11
Yearly	11
Less Often	2

Source: 1987 *AM* Retail Panel

- When you study "Dick's," you realize that you could lose young, time-short customers to the installation business. You decide to strengthen other aspects of your operation—longer hours, helpful staff, customer service—to offset the potential of lost business.

Planning is the logical extension of this kind of fact gathering effort. You plan how you will improve the training of your clerks so they know more about oil. And you plan how you will improve their salesmanship so they are more friendly and responsive to customers. And perhaps, you plan on doing more oil installation than you did before.

Whatever you plan, by looking at the competition first, your plans will be better able to meet your customers' needs. ■

SHOPPING THE COMPETITION

You can use this check list as you shop other stores to see how your store stacks up against the competition. Give your store a rating of 1 (worst) through 5 (best) on these points. Then shop all of competitive outlets and rate them the same way. Compare the check lists to see how your store rates.

COMPETITIVE FACTORS	YOUR STORE	THE COMPETITION
Pricing		
Everyday Prices On Parts		
Sale Prices On Parts		
Everyday Prices On Service		
Sale Prices On Service		
Product Selection		
National Brands Product Quality		
Private Brands Product Quality		
Product Selection		
Product Availability		
Ease Of Finding The Product		
Product Information		
Easy-To-Use Catalogs		
Easy-to-Use Application Charts		
Product Demonstrations		
Installation Suggestions		
Care & Maintenance Ideas		
Explanation Of Brand/Quality/Grade		
Guarantee/Warranty		
Customer Service		
Friendly Employees		
Helpful Employees		
Knowledgeable Employees		
Fast, Efficient Check-out		
Easy Returns		
Easy Warranty Adjustments		
Ease Of Credit		
Checks Accepted		
Service Work Done On Time		
Ease Of Special Ordering		
Personnel/Hours		
Number Of Full Time Staff (Est.)		
Number Of Part Time Staff (Est.)		
Level Of Training		
Hour Open Per Week (Est.)		
Number Evening/Weekend Hours Open		
Est.Co-op Advertising		
Customer Profile Estimates		
% Repeat Customers		
Weekday Traffic (#)		
Weekend Traffic (#)		
Average Carryout $ Sale		
Average Service $ Sale		
Time Required To Make a Purchase		
Time Required For Service Work		
Location/Accessibility		
Store Signs		
Ease Of Entry		
Parking Availability		
Exit Ease		
Store Appearance		
Store Atmosphere		
Accessibility To Other Shopping		
Total Points		